

REVOLUTION.TV, INC.
d/b/a REVOLUTION CHURCH.

INDEPENDENT ACCOUNTANT'S FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015 - REVIEWED

REVOLUTION.TV, INC. d/b/a REVOLUTION CHURCH

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Trustees of
Revolution.TV, Inc., d/b/a Revolution Church
Canton, GA

I have reviewed the accompanying statement of financial position of Revolution.TV, Inc., d/b/a Revolution Church (a not-for-profit organization) as of December 31, 2015, and the related statements of activities and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

My responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require me to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. I believe that the results of my procedures provide a reasonable basis for my report.

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

The schedule of functional expenses on page 7 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the analytical procedures applied in the review of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Dennison & Company, CPA

St. Cloud, MN
February 19, 2016

REVOLUTION.TV, INC. d/b/a REVOLUTION CHURCH

(a not-for-profit corporation)

Statement of Financial Position

As of December 31, 2015

ASSETS

CURRENT ASSETS

| | |
|------------------------------------|----------------|
| Cash and cash equivalents | 828,716 |
| Bond sinking fund & escrow account | <u>102,357</u> |
| Total Current Assets | 931,073 |

PROPERTY AND EQUIPMENT

| | |
|--------------------------------|------------------|
| Furniture & equipment | 841,170 |
| Land | 823,229 |
| Buildings & improvements | <u>7,681,244</u> |
| Less: Accumulated depreciation | <u>(978,837)</u> |
| Total Property & Equipment | 8,366,806 |

OTHER ASSETS

| | |
|--------------------------------------|----------------|
| Note receivable | 30,000 |
| Deferred Loan Fees, net of \$251,980 | <u>231,947</u> |
| Total Other Assets | 261,947 |

TOTAL ASSETS

9,559,826

REVOLUTION.TV, INC. d/b/a REVOLUTION CHURCH

(a not-for-profit corporation)

Statement of Financial Position

As of December 31, 2015

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES (Amounts due within one year)

| | |
|-------------------------------------|----------------|
| Accounts & credit cards payable | 32,025 |
| Current portion of mortgage payable | 270,250 |
| Total Current Liabilities | <u>302,275</u> |

LONG-TERM LIABILITIES (Amounts due after one year)

| | |
|-------------------------------|------------------|
| Accrued bond interest payable | 286,411 |
| Capital lease obligation | 73,272 |
| Bonds payable | 4,977,750 |
| Total Long-term Liabilities | <u>5,337,433</u> |

TOTAL LIABILITIES 5,639,708

NET ASSETS

Unrestricted:

| | |
|--------------|-----------|
| Undesignated | 3,920,119 |
| Designated | - |

Total Unrestricted 3,920,119

Temporarily Restricted -

Total Net Assets 3,920,119

TOTAL LIABILITIES AND NET ASSETS 9,559,826

REVOLUTION.TV, INC. d/b/a REVOLUTION CHURCH

(a not-for-profit corporation)

Statement of Activities

For the Years Ended December 31, 2015

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|---------------------------------------|---------------------|-----------------------------------|------------------|
| SUPPORT AND REVENUE | | | |
| Support | | | |
| Tithes & offerings | 2,948,900 | 26,695 | 2,975,594 |
| Net assets released from restrictions | 26,695 | (26,695) | - |
| Total support | 2,975,594 | - | 2,975,594 |
| Revenue | | | |
| Program fees | 46,648 | - | 46,648 |
| Misc. revenue | 2,361 | - | 2,361 |
| Interest income | 9,505 | - | 9,505 |
| Total revenue | 58,515 | - | 58,515 |
| Total support and revenue | 3,034,109 | - | 3,034,109 |
| EXPENSES | | | |
| Program expenses | | | |
| Ministry | 1,636,486 | - | 1,636,486 |
| Missions | 111,615 | - | 111,615 |
| Total program expenses | 1,748,101 | - | 1,748,101 |
| Supporting services | | | |
| General and administrative | 874,410 | - | 874,410 |
| Fundraising | - | - | - |
| Total supporting services | 874,410 | - | 874,410 |
| Total expenses | 2,622,510 | - | 2,622,510 |
| CHANGE IN NET ASSETS | 411,599 | - | 411,599 |
| NET ASSETS - BEGINNING | | | |
| As previously reported | 2,651,037 | - | 3,562,197 |
| Prior period adjustment | (53,677) | - | (53,677) |
| As restated | 2,597,360 | - | 3,508,520 |
| NET ASSETS - END | <u>3,008,959</u> | <u>-</u> | <u>3,920,119</u> |

REVOLUTION.TV, INC. d/b/a REVOLUTION CHURCH

(a not-for-profit organization)

Statement of Cash Flows

For the Year Ended December 31, 2015

OPERATING ACTIVITIES

| | |
|---|----------------|
| Change in net assets | 411,599 |
| Adjustments to reconcile net assets to net cash provided by operating activities | |
| Amortization | 10,015 |
| Depreciation | 312,981 |
| (Increase) decrease in operating assets: | |
| Note receivable | 4,000 |
| Increase (decrease) in operating liabilities: | |
| Accounts & credit cards payable | <u>(9,407)</u> |
| Net cash provided by operating activities | <u>729,188</u> |

INVESTING ACTIVITIES

| | |
|--|------------------|
| Investment in buildings | (642,824) |
| Acquisition of furniture and equipment | <u>(125,410)</u> |
| Net cash flows from investing activities | <u>(768,234)</u> |

FINANCING ACTIVITIES

| | |
|---|------------------|
| Cash paid towards capital lease obligations | (50,505) |
| Accrued interest payable | 138,235 |
| Cash paid towards mortgage principal | <u>(265,500)</u> |
| Net cash flows from financing activities | <u>(177,770)</u> |

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (216,817)

CASH AND CASH EQUIVALENTS - BEGINNING 1,147,890

CASH AND CASH EQUIVALENTS - ENDING 931,073

Supplemental Information - Cash paid for:

| | |
|------------------|-----------------------|
| Interest expense | <u><u>326,700</u></u> |
|------------------|-----------------------|

REVOLUTION.TV, INC. d/b/a REVOLUTION CHURCH

(a not-for-profit corporation)

Statement of Functional Expenses

For the Year Ended December 31, 2015

| | Program | | Supporting Services | | Total |
|-----------------------------|------------------|----------------|-------------------------------|-------------|------------------|
| | Ministry | Missions | General and Administrative | Fundraising | |
| Advertising | - | - | 63,710 | - | 63,710 |
| Amortization | 7,511 | - | 2,504 | - | 10,015 |
| Depreciation | 234,736 | - | 78,245 | - | 312,981 |
| Donations | 25,353 | 111,615 | - | - | 136,968 |
| Events | 86,856 | - | 10,417 | - | 97,273 |
| Interest expenses | 245,025 | - | 81,675 | - | 326,700 |
| Maintenance & repairs | - | - | 56,807 | - | 56,807 |
| Operations | 124,166 | - | 95,967 | - | 220,133 |
| Professional fees | - | - | 29,507 | - | 29,507 |
| Salaries & related benefits | 790,145 | - | 261,642 | - | 1,051,787 |
| Supplies | 109,377 | - | 86,636 | - | 196,014 |
| Travel | 13,317 | - | 12,605 | - | 25,922 |
| Utilities | - | - | 94,694 | - | 94,694 |
| Total Expenses | 1,636,486 | 111,615 | 874,410 | - | 2,622,510 |

REVOLUTION.TV, INC. d/b/a REVOLUTION CHURCH
Notes to the Financial Statements
December 31, 2015

NOTE 1 - NATURE OF ORGANIZATION:

Revolution.TV, Inc., d/b/a Revolution (Church) is organized and incorporated in the State of Georgia and is part of Southern Baptist Convention of the State of Georgia. The purpose of the Church is to call people to commitment to Christ and His family, to lead believers in Christ-like character, to equip believers to care for others, and to engage believers in the cause of Christ in order to celebrate God. Ministries of the Church include weekend worship services and classes, children's activities, youth groups, single adult fellowships, small group fellowships, and ministries to men, women, and families.

The Church is exempt from federal income tax under Section 501(c) (3) of the Internal Revenue Code (code). The Church is classified as a publicly supported organization rather than a private foundation under Section 509(a) of the code. Contributions to the Church are deductible for federal income tax purposes.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Reporting

Method of Accounting: the financial statements of the Church have been prepared on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP) and include all activities carried on in the name of the church. Revenues and expenses are recognized in the period earned or incurred.

Basis of Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) 958-205, 958-225 and 958-230 (Formerly Statement of Financial Accounting Standards (SFAS) No. 117), which provides authoritative guidance for the preparation of Financial Statements of Not-For-Profit Organizations. Under this authoritative guidance, the Church is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets, as described below:

- Unrestricted net assets – are not subject to donor-imposed restrictions and may be designated for specific purposes by action of the Board of Directors.
- Temporarily restricted net assets – are subject to temporary donor-imposed restrictions and may be fulfilled by actions of the Church to meet the donor-imposed stipulations or that become unrestricted by the passage of time.
- Permanently restricted net assets – are subject to permanent donor-imposed stipulations.

Cash & Cash Equivalents

Cash and Cash Equivalents include all monies in banks, time deposits and all highly liquid debt instruments with original maturities of three months or less. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments. The Church maintains cash balances in several bank accounts at a local financial institution. These accounts are insured by the Federal Deposit Insurance Corporation FDIC up to \$250,000 per insured bank for each ownership category. At December 31, 2015, the Church's bank balances exceeding the FDIC limit totaled \$321,965.

REVOLUTION.TV, INC. d/b/a REVOLUTION CHURCH
Notes to the Financial Statements
December 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Use of Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. The significant estimates in these financial statements include estimates of property costs and depreciation expenses.

Contributions and Expenses

Contributions received are measured at their fair values and are reported as an increase in net assets. The Church reports gifts of cash as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions are met in the same reporting period are reported as unrestricted support.

Although the Church does receive pledges for certain dedicated funds, due to the difficulty of accounting for and measuring the collectability of such pledges, the Church does not record pledges until the contribution is received.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

Donated Services

A substantial number of volunteers have donated their time to the Church for various Administrative and Operating services during the year; however, these donated services are not reflected in the financial statements since the services do not require specialized skills.

Property and Equipment

The Church follows the practice of capitalizing all expenditures for property, furniture, fixtures, equipment and leasehold improvements in excess of \$500. In accordance with GAAP, land is not depreciated and Construction-in-Progress is depreciated when it is completed and placed into service. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets which generally are as follows:

| | |
|-------------------------|---|
| Building improvements | 15 – 39 years |
| Furniture and equipment | 5 – 7 years |
| Software | 5 years |
| Vehicles | 5 years |
| Leasehold improvements | life of lease or useful life (whichever is shorter) |

Depreciation expense for the year ended December 31, 2015 amounted to \$312,981.

REVOLUTION.TV, INC. d/b/a REVOLUTION CHURCH
Notes to the Financial Statements
December 31, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Income Taxes

The Church is exempt from federal income and state taxes under Section 501 (c) (3) of the Internal Revenue Code and similar state statute and has not conducted unrelated business activities. Therefore; the Church has made no provision for federal or state income taxes in the accompanying financial statements.

Advertising Costs

The Church expenses advertising costs as they are incurred which amounted to a total of \$63,710 for the year ended December 31, 2015.

Fair Value of Financial Instruments

The Church measures fair value of financial instruments based on the framework set forth by FASB ASC 820, "Fair Value Measurement and Disclosures." That framework provides a fair value hierarchy that prioritizes, into three values, the inputs to valuation techniques used to measure fair value. Following is the description of those three levels as defined in ASC 820.

Level 1 inputs: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 inputs: Inputs (other than quoted prices included in level 1) that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: Unobservable inputs for the asset or liability.

The asset's or liability's fair value measurement level within the fair value hierarch is based on the lowest level of any input that is significant to the fair value measurement.

There have been no significant changes in the methodologies used for the year ended December 31, 2015.

The carrying amounts of cash and cash equivalents and the Church's bond sinking fund & escrow account are assumed to approximate fair value because of the short maturity/liquidity of those financial instruments.

The carrying amount of the bonds payable approximates fair value because that financial instrument yields interest at a rate that approximates current market rates for notes similar with maturities and credit quality.

See Note 6 which sets forth by level, within the fair value hierarchy, the Church's assets and liabilities at fair value as of December 31, 2015.

REVOLUTION.TV, INC. d/b/a REVOLUTION CHURCH
Notes to the Financial Statements
December 31, 2015

NOTE 3 – SHORT-TERM DEBT:

The Church has an unsecured credit card with a varying rate of interest. As of December 31, 2015, the Church has \$32,025 in outstanding credit card debt.

NOTE 4 – LONG-TERM DEBT:

Long-Term Debt consisted of the following amounts as of December 31, 2015:

The Church executed a First Mortgage Serial Bond program (Trust # 120541) with an active date of December 20, 2011 in the original amount of \$2,400,000. The bonds consist of \$219,750 of simple interest bonds and \$2,180,250 of compound interest bonds. Goldstar Trust Co. is the trustee, paying agent, registrar and escrow agent. Interest rates on the bonds range from 5.25% to 7.25 % with interest paid on the simple interest bonds semi-annually beginning June 20, 2014 and December 20, 2014 and interest will be compounded on the bonds from the issue date with maturity dates ranging from June 20, 2014 to December 20, 2041. Monthly required payments to the bond sinking fund are \$17,633.12. \$ 2,126,250

The Church executed a General Mortgage Bond program (Trust # 111005) with an active date of December 20, 2013 in the original amount of \$3,300,000. The bonds consist of \$2,517,250 of simple interest bonds and \$782,750 of compound interest bonds. Goldstar Trust Co. is the trustee, paying agent, registrar and escrow agent. Interest rates on the bonds range from 3.25% to 8.00% with interest paid on the simple interest bonds semi-annually beginning June 20, 2014 and December 20, 2014 and interest will be compounded on the bonds from the issue date with maturity dates ranging from June 20, 2014 to December 20, 2038. Monthly required payments to the bond sinking fund are \$17,791.96. 3,121,750
\$ 5,248,000

Less current portion of debt (270,250)

Debt-net of current portion \$ 4,977,750

REVOLUTION.TV, INC. d/b/a REVOLUTION CHURCH
Notes to the Financial Statements
December 31, 2015

NOTE 4 – LONG-TERM DEBT: (continued)

Debt matures as follows:

Years ending December 31,

| | |
|------------|--------------------|
| 2017 | \$ 259,500 |
| 2018 | 244,500 |
| 2019 | 236,500 |
| 2020 | 227,750 |
| Thereafter | <u>4,009,500</u> |
| | <u>\$5,248,000</u> |

Interest for the year ended December 31, 2015 totaled \$176,700.

NOTE 5 – ACCRUED INTEREST PAYABLE:

As described in Note 4; the bonds payable includes compounding bonds that accrue interest payable until maturity. Total accrued interest payable increased by \$138,243 resulting in an ending balance of \$286,411 as of December 31, 2015.

NOTE 6 – FAIR VALUE OF FINANCIAL INSTRUMENTS:

As described in Note 2, the Church measures fair value of financial instruments based on the framework set forth by FASB ASC 820 which provides a fair value hierarchy that prioritizes, into three levels, the inputs to valuation techniques.

The following table sets forth by level, within the fair value hierarchy, the Church's financial assets and liabilities at fair value as of December 31, 2015.

| | Level 1 | Level 2 | Level 3 | Total |
|---|-------------------|--------------------|---------|--------------------|
| Financial Assets | | | | |
| Cash and Cash Equivalents | \$ 828,716 | - | - | \$ 828,716 |
| Bond Sinking Fund & Escrow Account | \$ 102,357 | - | - | \$ 102,357 |
| Notes Receivable | - | \$ 30,000 | - | \$ 30,000 |
| Total financial assets fair values | <u>\$ 931,073</u> | <u>\$ 30,000</u> | - | <u>\$ 961,073</u> |
| Financial Liabilities | | | | |
| Accounts & Credit Cards Payable | \$ 32,025 | - | - | \$ 32,025 |
| Capital Lease Obligations | - | \$ 73,272 | - | \$ 73,272 |
| Capital Lease Obligations | - | \$ 286,411 | - | \$ 286,411 |
| Notes Payable – Mortgage | - | \$5,248,000 | - | \$5,248,000 |
| Total financial liabilities fair values | <u>\$ 32,025</u> | <u>\$5,607,683</u> | - | <u>\$5,639,708</u> |

REVOLUTION.TV, INC. d/b/a REVOLUTION CHURCH
Notes to the Financial Statements
December 31, 2015

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS:

Net assets were temporarily restricted for the following purposes for the year ended December 31, 2015:

| | Balance January 1 | Contributions and Other Income | Releases | Balance December 31 |
|--------------------|----------------------|-----------------------------------|----------|------------------------|
| Missions Offerings | - | 26,695 | 26,695 | - |
| Total | - | 26,695 | 26,695 | - |

NOTE 8 – DEFERRED LOAN FEES:

Deferred loan fees primarily consist of costs (broker fees, consulting fees, professional fees, property appraisal, etc.) incurred in connection with the Long-term Liabilities described in note 4. As of December 31, 2015; deferred charges totaled \$231,947 after amortization expense of \$21,725.

NOTE 9 – NOTES RECEIVABLE:

The church was given a 1967 Ford Shelby Cobra antique automobile during 2011 and was subsequently sold for \$104,000. As of December 31, 2015; \$74,000 had been received resulting in a net outstanding note receivable amount of \$30,000.

NOTE 11 – CAPITAL LEASE OBLIGATIONS:

The Church executed a capital lease agreement with BSB Leasing on November 19, 2012 that required 60 monthly payments of \$2,239.89 and a subsequent agreement on March 6, 2013 that required 48 monthly payments of \$1,969.79. Both lease agreements are for audio/video equipment use in the Church facilities that convert to the ownership of the Church at the completion of the terms.

Future lease payments are as follows:

| | |
|-------|----------|
| 2016: | \$50,516 |
| 2017: | \$30,548 |

NOTE 12 – FUNCTIONAL EXPENSES:

Expenses incurred include normal operating expenses categorized as church activities which include the expenses of ministry to the various age levels of the congregation (youth, children, men's and women's ministries), Ministry expenses for outreach and ministry to the congregation, community. Personnel & salary expenses include all expenses involving staff costs such as salaries, insurance, payroll tax expenses and benefit costs. Certain expenses such as depreciation, amortization, interest expense and some salaries & related benefits are allocated both to general & administrative (75%) and ministry (25%).

REVOLUTION.TV, INC. d/b/a REVOLUTION CHURCH
Notes to the Financial Statements
December 31, 2015

NOTE 13 – PRIOR PERIOD ADJUSTMENT:

During the year ending December 31, 2015; management discovered that accumulated depreciation was understated by \$53,677. As such; unrestricted net assets were reduced by \$53,677 and accumulated depreciation was increase by \$53,677.

| | December 31, 2014 | |
|--|----------------------------|--------------|
| | As Originally Presented | As Restated |
| Statement of Financial Position | | |
| <u>Current Assets</u> | | |
| Accumulated Depreciation | \$ 612,180 | \$ 665,857 |
| <u>Net Assets</u> | | |
| Unrestricted | \$ 3,562,197 | \$ 3,508,520 |

NOTE 14 – SUBSEQUENT EVENTS:

Church management has evaluated subsequent events through the report date, the date on which the financial statements were available to be issued, and found no events or transactions which require modification to the financial statements. Subsequent events after that date have not been evaluated.